Indian Economy · GS - III

“Economic growth in the recent past has been led by increase in labour productivity.” Explain this statement. Suggest the growth pattern that will lead to creation of more jobs without compromising labour productivity.

EXAM YEAR	PAPER	SUBJECT
2022	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Labour productivity rises when output per worker increases through technology, skills, capital and better organisation. However, growth concentrated in capital-intensive sectors may generate insufficient employment. India needs labour-intensive manufacturing and services, MSME expansion, skill development and productivity-enhancing infrastructure to combine growth with job creation.

Model Answer

Introduction

Labour productivity measures output produced per worker or per hour worked. India's growth has increasingly benefited from improved technology, capital investment, skills and efficiency, though gains have been uneven across sectors.

Growth Led by Labour Productivity

Modern services, formal manufacturing and technology-driven industries can generate higher output without a proportionate rise in employment. Automation, digitalisation, better infrastructure and improved business processes increase productivity. However, capital-intensive growth may create fewer jobs than the expanding workforce requires, while informal employment can remain low-productivity.

A Job-Rich Growth Pattern

1. Labour-Intensive Manufacturing: Textiles, garments, footwear, food processing, toys and electronics assembly can absorb large numbers of workers while improving production efficiency.

2. MSME Development: Affordable credit, technology adoption, market access and simplified compliance can help small enterprises expand employment and productivity.

3. Skill Development: Industry-linked vocational training, apprenticeships and digital skills can improve worker capabilities and employability.

4. Modern Agriculture and Allied Activities: Food processing, dairy, fisheries and rural enterprises can diversify incomes and create non-farm jobs.

5. Employment-Intensive Services: Tourism, healthcare, education, logistics and care services can generate substantial employment.

6. Enabling Environment: Infrastructure, labour-intensive investment, predictable regulations and social security can encourage formal job creation.

Conclusion

India should pursue productivity-led but employment-intensive growth. Combining technology and skills with labour-absorbing sectors can raise competitiveness while ensuring that economic expansion generates adequate, decent and inclusive employment.

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